

**Board Of Water Works
REGULAR CALLED MEETING MINUTES
August 22, 2023
Louisville Water Company**

Board Members Present:

Dr. Sundeep “Sunny” Dronawat, Chair
Mr. Paul Esselman, Vice Chair
Mr. Greg Dearing
Ms. Jennifer Fust-Rutherford
Dr. Sharon Kerrick
Mr. William E. Summers, IV

Not Present:

Mayor Craig Greenberg

Others Present:

Mr. Spencer Bruce, President and Chief Executive Officer
Ms. Dana Mayton, Louisville Metro, Deputy Mayor
Mr. Dave Vogel, Executive Vice President, Customer Service and Distribution Operations
Ms. Kelley Dearing Smith, Vice President, Communications and Marketing
Mr. Jeff Knott, Vice President, Information Technology
Ms. Lynn Pearson, Vice President, Finance and Treasurer
Mr. Tim Kraus, Vice President, Engineering and Chief Engineer
Mr. Terrence Spence, Vice President, Human Resources and Labor Relations
Mr. Michael Tigue, Vice President, Compliance, General Counsel and Corporate Secretary
Mr. Adam Carter, Local Union 1683, President
Ms. Shannon Tivitt, Executive Director, One Water
Mr. Jordan Basham, Director, Infrastructure Planning and Records
Mr. Carlos Felix, Director, Information Technology
Mr. Pete Goodmann, Director, Water Quality and Research
Ms. Megan Hancock, Director, Customer Service
Ms. Jenni Schelling, Director, Internal Audit
Mr. David Mulloy, Manager, Infrastructure Planning
Mr. Eric Walls, Project Engineer
Mr. Karam Yadav, Manager, Business Systems Support
Mr. Brian Sturgeon, Computer Network Administrator
Ms. Beverly Soice, Paralegal

Visitors:

Nicole Haskins, Paymentus
David Montgomery, Volta
Donna Perry, Dinsmore & Shohl
Jeremy Rogers, Dinsmore & Shohl

The meeting of the Board of Water Works (BOWW) was held on Tuesday, August 22, 2023 at Louisville Water Company corporate headquarters located at 550 South Third Street, Louisville, Kentucky and virtually via Microsoft Teams. Chair, Sunny Dronawat called the meeting to order at 11:06 a.m.

Minutes of the Previous Regular BOWW Meeting Approved

Paul Esselman moved to approve the annual and regular monthly meeting minutes of July 18, 2023. Greg Dearing seconded, and the motion unanimously carried.

CEO Report Given

Spencer Bruce advised that Eric Zhu, Louisville Water's Manager of Water Research and Development and his team recently completed a national research project which was published by The Water Research Foundation. The research project focuses on reducing risks in chloraminated water systems which serve nearly half of the U.S. population, including Louisville. This work helps in understanding the risks and benefits of different treatment techniques for nitrification control.

The Board and staff congratulated Dr. Zhu on his project and published report.

Mr. Bruce advised that with just under 14 months to go before the Lead and Copper Rule Revisions (LCRR) take effect, Louisville Water is in a great position to meet the new requirements. He reminded the Board that lead is not in the water when it leaves our water treatment plants.

The LCRR is a large undertaking and is a company-wide effort. Water Quality, Metering, Distribution, Communications, and Finance all have a role. We still have work to do, but from an inventory standpoint, a procedural standpoint, and a communications standpoint, we are in a very good position. Due to our planning, preparation, and early implementation efforts, we are confident in our ability to meet the 2024 regulatory deadline.

Mr. Bruce reminded the Board that last fall, Louisville Water launched a public program to cover 100% of the costs to replace a customer-owned lead or galvanized service line up to the shutoff valve. Staff has reached out to 766 property owners with known private service lead lines. Nearly half of them agreed to take advantage of the offer. Louisville Water has already replaced more than 100 lines and are working to replace the remaining lines as soon as possible. Staff continue to reach out to more customers about the program.

Donation Approved to the Louisville Water Foundation

Dave Vogel stated each year Louisville Water makes a donation to the Louisville Water Foundation to use for water bill payment assistance and other water projects that serve to advance the Foundation's mission. The donation from Louisville Water has typically been funded by setting aside a portion of the HomeServe program revenue from the previous year. The largest percentage of the Foundation's annual contributions supports the Customer Assistance Program, "Drops of Kindness". MSD, HomeServe and employees also contribute funds for this effort. The recommended budgeted donation for 2023 is \$250,000, however staff recommends increasing this donation by \$50,000 to help our local agencies meet higher customer needs for 2023-2024.

Sharon Kerrick moved to donate \$300,000 to the Louisville Water Foundation to fund the 2023-2024 Customer Assistance Program and other water-related charitable activities. Mr. Esselman seconded, and the motion unanimously carried.

Moving Processing of Recurring ACH Payments to Payment Processing Vendor Approved

Mr. Vogel advised that Louisville Water is in the process of moving to a new payment processing vendor for on-line and phone credit card payments, and one-time e-check payments. Currently, our commercial banking partner, PNC, is responsible for processing recurring ACH (auto bank draft) payments for customers who are enrolled in the automatic bank draft program. PNC was approved to provide all of Louisville Water's commercial banking and treasury management services by the Board in September 2020.

In an effort to improve the customer experience, simplify back-office processes, enable donations through the auto draft process, and reduce fees, staff is recommending that this function be moved from the current commercial bank to our payment processing vendor.

Mr. Vogel Introduced Megan Hancock, Director of Customer Service, Karam Yadav, Manager of Business Systems Support and Nicole Haskins with Paymentus. Ms. Hancock provided a summary of the current processes versus the new options available if we transition to Paymentus. She advised that if approved by the Board, the implementation will be completed by year-end.

William Summers moved to approve this change to the commercial banking scope and moving this function to our payment processing vendor. Seconded by Mr. Dearing, and the motion unanimously carried.

Contract Awarded for Project No. 16103: 2021 MRRP – W. Muhammad Ali Boulevard Area and Budget of Record Increased

Tim Kraus requested the Board authorization to increase the budget of record and award the construction contract for the W. Muhammad Ali Boulevard Area Main Replacement Project to MAC Construction & Excavating, Inc. This project consists of 7,500 linear feet of distribution water main replacement with pipe sizes ranging from 6-inch diameter to 16-inch diameter along nine streets, located in the Russell neighborhood in west Louisville.

On August 9, 2023, Louisville Water received competitive bids from three prequalified contractors for construction of this project. The Project Manager's estimate for the project was \$2,607,000. The low bidder was MAC Construction & Excavating, Inc., with a bid of \$2,763,876. This bid was 6% higher than the Project Manager's estimate. The total approved project budget is \$2,510,000 and was set in 2020. The preliminary design layout was modified to include more water main in pavement than was originally estimated causing an increase in the projected cost of the project requiring additional funds. Louisville Water will receive partial federal funding from the American Rescue Plan Act of 2021 in the amount of \$3,328,880 for this project.

Mr. Esselman moved to award the contract for this project to MAC Construction & Excavating, Inc. in the amount of \$2,763,876 and the budget of record for this project be increased to \$4,942,000. The net cost to Louisville Water is \$1,613,120. Mr. Dearing seconded, and the motion unanimously carried.

Purchase of Easement Approved for Project 16377: 690 Plan Transmission – Salt River To Chapeze Booster Pump Station

Mr. Kraus requested Board approval to purchase an easement for a proposed 36-inch water transmission main. The property consists of 10.285 acres of easement located at 3010 South Preston Highway in Bullitt County, Kentucky. The easement is required as part of the I-65 Corridor

projects which will increase transmission capacity to service economic development needs in the southern portion of Louisville Water's service area which will provide additional water to Hardin County Water District #2. With the expansion of Jim Beam's production at the Booker Noe Distillery, increased demands in Hardin County from the Blue Oval Battery Plant, and increased demands from Lebanon Junction, this pipeline will ensure a resilient water supply for the area.

Mr. Kraus advised that all required steps to acquire the easement have been completed.

Mr. Esselman moved to purchase the easement for Project 16377 – 690 Plan Transmission – Salt River to Chapeze Booster Pump Station in the amount of \$501,394. Mr. Dearing seconded, and the motion unanimously carried.

Closed Session Held

Jennifer Fust-Rutherford moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(c) at 11:37 a.m., seconded by Mr. Dearing, and unanimously carried.

Open Session Resumed

Mr. Dearing moved to return to open session and adjourn the meeting at 12:13 p.m., seconded by Mr. Summers, and unanimously carried. No action was taken in closed session.

The Board took a short break for lunch at 12:07 p.m. and resumed the meeting at 12:20 p.m.

2023 Biennial Inspection Approved

Mr. Kraus introduced Jordan Basham who presented this item to the Board.

Mr. Basham advised that the Amended and Restated Revenue Bond Resolution adopted November 10, 2009 for Louisville Water specifies that an inspection report be completed every other year and shall accompany the Board of Water Works Annual Report to the Trustees, which is to be filed October 31 of each year. A further stipulation of the bond covenants is that Louisville Water will retain a Consulting Engineer to perform the inspection of the water works system every other year, and to report whether the properties of the water works system has been maintained in good repair and sound operating condition.

In February 2023, Louisville Water issued an assignment to Hazen & Sawyer (Engineer of Record) to perform the inspection and report the adequacy and condition of the water works system.

Mr. Basham advised that Hazen & Sawyer commented favorably concerning the condition of the facilities inspected stating that based on their inspection, "overall, it is Hazen's opinion that the inspected facilities are being well maintained, are in good repair, and should continue to allow Louisville Water to produce high quality drinking water."

Mr. Esselman moved to approve the 2023 Biennial Inspection Report. Mr. Dearing seconded and the motion unanimously carried.

Mr. Basham added that in accordance with the bond requirements, staff will file the Biennial Inspection report with the Issuer, the Trustee and Metro Louisville.

Change Order Approved and Project Budget Increased for Project 11310: BEP Renovate Sludge Lagoons #1,# 2, #3 and #4.

Mr. Kraus requested the Board authorize a contract change order and a Louisville Water project budget increase for the Renovation of Sludge Lagoons #1, #2, #3 and #4 with Litter's, Inc. to accommodate an increase of the residuals removal unit price,

This project was competitively bid on August 2014 and awarded to Litter's Inc. to remove residual in lagoon #3 at B. E. Payne WTP. The successful bid was for \$12.50 per cubic yard. Mr. Kraus provided a summary of the change orders and contract increases since the initial contract.

Litter's has requested a price increase to \$15.60 per cubic yard. Diesel fuel prices have continued to trend up. Inflation has caused labor and material prices to rise. If approved, Litter's agrees to hold the requested \$15.60 per cubic yard price through the completion of this project.

Mr. Esselman moved to authorize a contract increase with Litter's Inc. in the amount of \$959,530 for a new contract amount of \$21,267,384.50 and to increase the overall project budget by \$1,017,885 to a new project budget amount of \$24,036,165. Mr. Summers seconded, and the motion unanimously carried.

Investment Report

Ms. Pearson provided a semiannual report to the Board on Louisville Water's investment portfolio.

Cyber Security Update

Dr. Dronawat advised that this item will be discussed in closed session.

Closed Session Held

Ms. Fust-Rutherford moved to go into closed session to discuss security matters pursuant to KRS 61.810(m) at 12:50 p.m., seconded by Mr. Esselman, and unanimously carried.

Open Session Resumed

Mr. Dearing moved to return to open session and adjourn the meeting at 1:10 p.m., seconded by Mr. Summers, and unanimously carried. No action was taken in closed session.

Financial Report Given

Lynn Pearson advised that July financial performance was strong, with water and other operating revenue, total operating expense and non-operating revenue and expense all performing favorably to budget. As a result, net income for the month exceeded budget by \$776,000.

Consumption of 3.2 billion gallons for July is 66.2 million gallons lower than budget and 281 million gallons lower than July 2022. Residential and wholesale consumption account for the majority of the unfavorable budget variance. The shortfall in these customer categories is partially offset by

irrigation which is 73.5 million gallons over budget. Year-to-date consumption remains above budget and prior year by 2.3% and 3.4% respectively, with the irrigation and commercial classes driving the favorable budget variance.

Water Revenue for July is \$17,000 higher than budget and \$220,000 lower than the prior year. Revenue is slightly higher than budgeted despite the overall shortfall in consumption due to the mix of favorable and unfavorable variances amongst the customer classes. The revenue gain from the favorable variance in irrigation consumption exceeds the revenue loss from the larger combined unfavorable variance in residential and commercial consumption. This is a result of the fact that irrigation water is sold at a higher rate than residential and wholesale. For the year-to-date period, water revenue performance remains strong, coming in 1.5% over budget and 8.1% higher than prior year levels.

Other Operating Revenue for July is \$54,000 higher than budget and \$45,000 above year-ago levels. The variance to budget is attributable to overages in late charges and disconnect fees. The increase over prior year is mainly driven by revenue from disconnect fees, sewer billing charges and service line protection, somewhat offset by lower revenue from late charges and cross connection fees. Year-to-date, other operating revenue is \$338,000 higher than budget and \$684,000 or than prior year. The year-to-date variance to budget is primarily due to increased revenue from late charges, disconnect fees and temporary service fees.

Operating and Maintenance Expenses for July of \$8.3 million are \$236,000 lower than budget and \$251,000 higher than July 2022. The July variance to budget is primarily due to lower labor and labor-related costs, with contractual services, systems support and maintenance and insurance reserves contributing to a lesser extent. These favorable variances were partially offset by higher utilities, chemicals, and materials and supplies costs. The higher costs as compared to July 2022 is a result of increases in numerous categories including utilities, chemicals, contractual services and labor and labor-related, offset by decreases in systems support and maintenance, bad debt and insurance reserves. July year-to-date operating and maintenance expenses are \$1.1 million lower than budget and \$4.6 million higher than year-ago levels. Labor and labor-related, contractual services, system support and maintenance, insurance reserves and bad debt expenses were all lower than budget through July. These favorable variances were partially offset by unfavorable variances in utilities, chemicals and materials and supplies. The variance to prior year through July reflects the continued impact of inflation with higher than normal increases in most categories with utilities, chemicals, materials and supplies, contractual services, systems support and maintenance, insurance reserves and labor and labor-related costs having the most significant growth.

Total Operating Expenses for July of \$14.7 million are \$500,000 lower than budget and \$476,000 more than prior year. The budget variance is due to lower operating and maintenance expenses, depreciation costs and net loss from disposition of property, the latter two mostly due to timing. The variance to the prior year is mainly due to higher operating and maintenance and depreciation costs. Total operating expenses year-to-date are 1.6% lower than budget and 8.4% higher than last year. The year-to-date budget variance is primarily the result of lower operating and maintenance costs, depreciation and loss from disposition of property.

Non-Operating Income through July is \$4.5 million, which is \$1.4 million above budget as a result of earning higher interest rates than anticipated. Non-operating income through July is \$4.3 million higher than the prior year due to higher interest rates earned, along with a higher dollar amount invested.

Communication and Marketing Report Given

Kelley Dearing Smith advised that Consumer Research/Voice of Customer completed in June shows Louisville Water customers are overall satisfied with the quality of their drinking water and the service they receive. Conducted by an independent firm, 964 customers participated in the online survey. Highlights include:

- 77 percent believe Louisville Water meets its goal of providing high-quality water service.
- Website traffic increased while calls to Louisville Water decreased.
- Scores on all key attributes improved from December 2022.
- Initial negative perceptions from the Ohio train derailment had no noticeable impact in this survey.

A survey released by J.D. Power on states with the highest water quality brought favorable media attention to Louisville Water. J.D. Power ranked Kentucky as the state with the highest water quality, based on consumer feedback for quality and reliability, price, conservation, billing and payment, communications, and customer service. The survey polls customers in cities where the utility has at least 400,000 residential customers. Louisville Water is the only Kentucky drinking water utility in the national consumer survey.

Louisville Water's education and outreach efforts reached more than 45,000 people in July with events where Louisville Pure Tap® was served and at summer camps, libraries, and community meetings for education.

Additionally, Louisville Water helped Metro government and several community organizations provide free water during a stretch of heat alert days with coolers and cups.

Customer Service and Distribution Operations Report Given

Mr. Vogel advised that Customer Service is currently managing through another wave of staffing vacancies due to attrition and internal promotions to other departments. Staff is partnering with Humna Resources to fill permanent positions as well as considering temporary hires as we expect another two employees to retire in the coming weeks. A new class of hires is planned for September.

The recent new hire class for Distribution Operations continues to go through training (although we have lost some due to performance and attrition). Another hiring class will likely be needed in early 2024.

Additional efforts underway include moving to a new payment processing vendor, implementation of a new lockbox contract, and the phone system replacement project.

In July, AMI endpoint installations crossed the 200,000 mark. Based on current projections, most of the remaining installations will be completed by the end of the second quarter 2024.

Engineering and Production Operations Report Given

Mr. Kraus advised 2023 capital program expenditures through July totaled \$51,705,276 which is \$2,494,684 or 5.07% higher than the same period last year. These expenditures equate to 42.46% of the 2023 total capital program of \$121,781,334.

The amount of water produced and delivered to the system in July 2023 was 142.4 MGD, which was 2.9% lower than July 2022 and 3.0% higher than the July five-year average. For year-to-date, the amount of water delivered to the system was 1.1% higher than 2022, and 7.3% higher than the five-year average. Mr. Kraus did state that 159 MGD was pumped yesterday.

All water quality goals for July 2023 were achieved. No water quality violations were incurred.

Four chemical spills were reported upstream of the Zorn intake; none impacted water treatment. Herbicide run-off in the river impacted treatment for 18 days. The highest atrazine level detected in finished water was 0.460 ppb on June 24 (Goal < 0.80 ppb).

Human Resources and Labor Relation Report Given

Terrence Spence provided a summary of recent and current activity between the Louisville Water's (Louisville Water/the Company) Labor Management and Local Union 1683 of the American Federation of State, County and Municipal Employees, AFL-CIO (the Union).

- One active grievance filed by the Union is pending arbitration results.
- Union and Company leadership conducted their monthly Labor Management meeting to review various on-going and future joint initiatives and status updates.
- Internally, the Company posted three regular full-time and three temporary full-time classified union positions.
- The Human Resources Department (HR) facilitated Harassment Prevention make-up training sessions.
- The Human Resources Management System (HRMS) stake-holder team reviewed 16 proposals to select a third-party system's implementation service provider.
- HR's Learning & Development Group facilitated Predictive Index information sessions with the Maintenance, Distribution, Operations and Logistics work area (MDOL) Field Leaders.


Information Technology Report Given

Jeff Knott advised that Migration to the Oracle's Cloud environment is underway and testing began this month. The tentative timeline for completion of this migration is the end of December, 2023.

Mr. Knott introduced Louisville Water's new Director of Information Technology, Carlos Felix.

There being no further business, the meeting was adjourned at 1:33 p.m.

Respectfully submitted,



Michael F. Tighe
Vice President, General Counsel and
Corporate Secretary